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OFFICE OF THE INDEPENDENT INSPECTOR GENERAL

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August 4, 2011

**Via Hand Delivery**

Honorable Toni Preckwinkle  
President, Cook County Board of Commissioners  
118 N. Clark Street  
Chicago, Illinois 60602

Honorable John P. Daley  
Chairman, Finance Committee  
118 North Clark Street  
Chicago, Illinois 60602

Re: Proposed *Internal Controls Ordinance*

Dear President Preckwinkle and Chairman Daley:

This letter is written to respectfully request your consideration for the proposed Internal Controls Ordinance, an ordinance imposing an obligation upon Cook County departments to implement, review and improve internal controls on an annual basis.

The proposed legislation is designed to support Cook County's management standards initiative and is tailored to address a long-standing vulnerability in Cook County that has been the subject of various reports of this office and those of Cook County's outside auditors. Under the Internal Controls Ordinance, each department would be responsible for establishing and maintaining a system of internal controls specific to the individual department in order to prevent and/or deter errors, waste, fraud, and mismanagement.

The internal system established by each department would fall under the direct leadership of an Internal Controls Oversight Committee. The Oversight Committee would prescribe specific rules and guidelines and reporting obligations to ensure that best practices are consistently followed. Importantly, the proposed Oversight Committee would consist of representatives of the Office of the President, Bureau of Finance, Bureau of Human Resources, Office of the Independent Inspector General and County Auditor. The Oversight Committee will be the authoritative entity responsible for holding department heads accountable for their implementation, improvements, and reporting obligations pursuant to the Ordinance. See Attached Proposed Internal Controls Ordinance.



Please note that we propose this Ordinance as a comprehensive measure to address the current weaknesses in Cook County's internal control framework. As indicated above, this office has identified internal control deficiencies during numerous investigations conducted involving errors, fraud, misconduct, and mismanagement.<sup>1</sup>

Legislation similar to the proposed ordinance exist in several other jurisdictions. For example, the State of New York enacted a similar internal control statute to address the same issues we have identified in audits, surveys, and investigations. See NY CLS Exec Sec. 951 (2011). Specifically, the New York Legislature stated, "...that prudent management of state government requires controls in all aspects of state government designed to assure that assets are properly safeguarded, that accounting entries and data are accurate and reliable, and that prescribed managerial policies are adhered to, including assurances that such assets and resources are used only for proper purposes." NY CLS Exec, Article 45 Note (2011). The State of Illinois has also adopted a generalized internal controls statute. See 30 ILCS 10/3001 (2011).

The proposed ordinance and oversight would focus on ensuring that internal controls both exist and are actively monitored to protect assets, inventory, contractual compliance, reimbursements, payroll, petty cash, and financial reporting. Protocols would involve:

- 1) Proper authorization and approval procedures;
- 2) Proper supervision and training of County employees;
- 3) Segregation of duties between those County employees who prepare transactions and those who approve and review those transactions;
- 4) Preparation of reconciliations to identify discrepancies; and
- 5) Review of processes and activities related to the internal controls.

The proposed Internal Control Ordinance will ensure that accurate and complete information is gathered and maintained to foster the best and most efficient use of resources as well as to limit exposure to fraudulent activity.

Finally, please note that the proposed ordinance also seeks broad application throughout Cook County government and endorsement by the independent agencies and separately elected officials. See *Internal Controls Ordinance*, Sec. XXX(5)(attached).

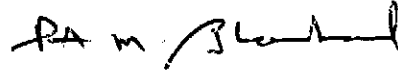
Thank you for your time and consideration to this proposal. Should you have any questions or wish to discuss these issues further, please do not hesitate to contact me.

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<sup>1</sup> A failure in internal controls or lack therefore was a common recurrence in our previous public reports. See OIIG Managerial Training Survey, Jeans Day Report, Highway Department Operational Audit and Survey, M/WBE Audit and Survey, Accounts Payable Unauthorized Disbursements Report, Forest Preserve District Investigation, and Accounting Errors Report.

Hon. Toni Preckwinkle and  
Hon. John P. Daley  
August 4, 2011  
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Very truly yours,

A handwritten signature in black ink, appearing to read "P M Blanchard", with a stylized flourish at the end.

Patrick M. Blanchard  
Independent Inspector General

cc: Honorable Members of the Board of Commissioners of Cook County  
Ms. Laura A. Burman, Cook County Auditor  
Ms. Laura Lechowicz Felicione, Special Legal Counsel  
Mr. Tariq Malhance, Chief Financial Officer  
Ms. Maureen O'Donnell, Chief, Bureau of Human Resources  
Mr. Kurt A. Summers Jr., Chief of Staff

## **INTERNAL CONTROLS ORDINANCE**

### **§ xxx. Internal Controls Oversight Committee**

1. The Internal Controls Ordinance hereby creates an Oversight Committee to ensure that each department under the Office of the President is held accountable for implementing, reviewing and improving the internal controls framework for each such department.
2. The Oversight Committee shall be comprised of a representative of the Office of the President, Bureau of Finance, Bureau of Human Resources, Independent Inspector General and Cook County Auditor.
3. The Oversight Committee shall prescribe the specific rules, procedures and reporting obligations for each department to follow in order to meet its obligations under the Internal Controls Ordinance.
4. The Oversight Committee shall submit an annual report to the President and Board of Commissioners that contains the following:
  - a. Department heads who failed to comply with their reporting obligations;
  - b. Major organizational risks to a respective department and/or systemic to Cook County; and
  - c. Proposed corrective action to protect the County from any negative impact due to departmental and/or systemic risks associated with weak internal controls.
5. In order for this Ordinance to have universal application, the Oversight Committee, for purposes of implementing the provisions of this Ordinance, shall identify all Cook County operating units or entities otherwise functioning as a department under the Office of the President and designate such unit or entity for compliance with this Ordinance. The Oversight Committee is authorized to appoint a representative of an independent agency or separately elected official of Cook County as a member of the Oversight Committee when such independent agency or separately elected official adopts the provisions of this Ordinance for the independent agency or office.

### **§ xxx. Department Responsibilities for Internal Controls<sup>1</sup>**

1. Pursuant to the Oversight Committee, Cook County Departments under the Office of the President shall:
  - a. Establish and maintain for the department guidelines for a system of internal control that are in accordance with this Ordinance and generally accepted internal control standards;
  - b. Establish and maintain for the department a system of internal control and a program of internal control review. The program of internal control review shall be designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's ongoing internal control;
  - c. Make available to each manager and supervisor of the department a clear and concise statement of the generally applicable management policies and standards with which the manager or supervisor of such department shall be expected to comply. Such statement shall emphasize the importance of effective internal control to the department and the responsibility of each manager or supervisor for effective internal control;
  - d. Designate an internal control officer, who shall report to the department head, to implement and review the internal control responsibilities established pursuant to this section;

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<sup>1</sup> This section of the Ordinance was primarily adopted from the New York State Internal Control Act. See NY CLS Exec Sec. 951 (2011).

- e. Conduct education and training efforts to ensure that managers and supervisors within such agency have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques;
- f. Periodically evaluate the need for additional internal audit assistance from the Oversight Committee; and
- g. Submit an annual report to the Oversight Committee which identifies departmental risks, internal control weaknesses and plans to improve internal control weaknesses.